

Service Date: December 30, 1998

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

\* \* \* \* \*

IN THE MATTER OF COLUMBIA HEIGHTS	)	UTILITY DIVISION
WATER COMPANY, Complaints Concerning	)	DOCKET NO. D98.10.246
Adequacy of Service and Investigation of	)	
Transfer of Ownership	)	ORDER NO. 6132

ORDER

1. On November 6, 1998, the Public Service Commission (PSC) issued a Notice of Complaint and Investigation pertaining to Columbia Heights Water Company (CHWC). The complaint and investigation primarily pertain to the adequacy of utility services provided by CHWC. The complaint and investigation also relate to a previous transfer of ownership of CHWC, which has not been reviewed by the PSC.

2. At the time of issuance of the above-referenced notice the PSC also issued a Notice of Public Hearing on the matter. The notice of hearing scheduled a formal hearing on the matter and also scheduled a preliminary informal public meeting to be held prior to hearing. The date for the informal meeting and public hearing was later amended through a second notice issued November 20, 1998.

3. On December 14, 1998, the PSC held the informal meeting and public hearing in Columbia Falls, Montana. The informal meeting, attended by about 15 persons, and the hearing, attended by approximately 35 persons, included discussion, comments, and testimony by the consumers served by CHWC, representatives of CHWC, and representatives of government agencies involved in local public water supply issues.

4. CHWC is a public utility providing water service to approximately 60 to 90 customers in Columbia Heights, a community located near Columbia Falls. Prior to October 1997 CHWC was owned and operated by William Gress. In October 1997 CHWC was sold to Larry Streeter, Sr. Mr. Streeter met an extremely unfortunate death by the hands of criminals in December 1997, shortly after becoming the owner of CHWC. Since Mr. Streeter's death CHWC

has been owned and operated by Mr. Streeter's estate, through Serena Streeter, wife of Mr. Streeter and personal representative of the estate.

5. The October 1997 sale of CHWC from Mr. Gress to Mr. Streeter, was done without PSC review. The PSC has authority to review sales of public utilities and PSC authority includes authority to deny a sale if the circumstances so demand. The PSC determines that denial of the sale of CHWC from Mr. Gress to Mr. Streeter is not warranted under the circumstances and would not be in the public interest. The consensus of CHWC customers appearing at hearing is that the question of who owns the system does not remain a concern, so long as problems with the system are corrected in a timely manner.

6. Mrs. Streeter, in her capacity as personal representative of Mr. Streeter's estate, has submitted a request for PSC approval of the transfer of CHWC to Larry Streeter, Jr., son of Mr. and Mrs. Streeter. The PSC determines under the circumstances that extensive review of the requested transfer is not warranted and would not be in the public interest. Larry Streeter, Jr., appeared at the informal meeting and public hearing before the PSC and expressed an interest in owning and operating CHWC. Larry Streeter, Jr., demonstrated a reasonable understanding of operations of CHWC, the efforts necessary to solve the problems with the system, and CHWC's obligations in regard to consumers and laws administered by state and local regulatory agencies, including the PSC.

7. Mr. Streeter's estate and Larry Streeter, Jr., were accompanied at the informal meeting and formal hearing by Harry Whalen, a consultant experienced in water systems and pertinent regulations. Mr. Whalen commented and testified at hearing, expressing a familiarity with and understanding of the CHWC system and the actions necessary to solve existing service problems. Mr. Whalen has been retained to advise Mr. Streeter's estate and Larry Streeter, Jr., regarding CHWC operations. CHWC's retaining this consultant is a positive move and demonstrates the CHWC owners' commitment.

8. The PSC concludes that the sale of CHWC from William Gress to Larry Streeter, Sr., should be approved. The PSC also concludes that the sale of CHWC from Mr. Streeter's estate to Larry Streeter, Jr., should be approved. To do otherwise at this time, without a

compelling concern regarding the transfers, would simply cause delay in the actions necessary to correct the CHWC service problems. However, the PSC understands, and CHWC, its owners, and CHWC consumers should understand, that ownership of CHWC is also a matter directly involved in probate of Mr. Streeter's estate. PSC approval of the transfers only applies to the extent of PSC authority and proper role in regard to public utility regulation. PSC authority is not intended to intrude in any fashion on the rights of any person or party of interest in the probate of Mr. Streeter's estate or the performance of contracts which may relate to the transfers.

9. It clearly appears that the consumers of CHWC have legitimate bases to complain in regard to the adequacy of service by CHWC. Utility administration (e.g., record keeping, customer identification, billing practices) are a concern. Low water pressure and, at times, no water pressure, appear to be frequent, ongoing problems for a substantial number of the CHWC consumers. Low water pressure is inadequate service by CHWC. Water quality (e.g., sand, black drops, sulfur smell) is also a frequent problem for a significant number of the CHWC consumers. Poor water quality of aesthetical nature does not necessarily mean service is inadequate, but it may. There is also consumer concerns relating to CHWC water quality from a safety and health standpoint. The state Department of Environmental Quality (DEQ) has primary responsibility regarding water quality matters, especially those of a safety and health nature. The record demonstrates that DEQ is closely monitoring the CHWC water quality situation and is engaged in communications with CHWC. To date there is no dispositive indication that CHWC water presents an immediate health concern, although several CHWC consumers have indicated that they believe otherwise. DEQ is presently exercising some tolerance regarding strict compliance by CHWC in regard to other water quality requirements, due to the circumstances pertaining the CHWC ownership (i.e., uncertainty in ownership).

10. The PSC determines that CHWC is not providing reasonably adequate service. The situation must be corrected by CHWC as soon as reasonably possible. The PSC also determines that this present matter, insofar as it pertains to service quality, will remain pending in regard to final PSC determinations and remedies as may be justified regarding adequacy of service by CHWC. It appears to the PSC that final resolution of the ownership question through

probate of Mr. Streeter's estate, if that resolution can be reached in a reasonable time, is an essential first step in regard to CHWC efforts to remedy the service problems and PSC determination of enforcement procedures that might be required, if any, once ownership has been established.

11. The PSC heard extensive testimony from customers, from state and local professionals concerned with the water system, and from the current owners. The service quality concerns generally can be classified in two categories:

a. Operating issues. Concerns included the need for: better customer records, including knowing who is connected to the system; monthly charges to occur pursuant to PSC-approved tariffs; utility availability to customers; standards for termination; and other customer service matters. It is also important for CHWC to always comply with state requirements, including for testing and certification. Under this category it must be emphasized that the CHWC owners and personnel are entitled to be treated courteously by customers, just as customers may expect such treatment from CHWC.

b. Facilities issues. Problems include water pressure, sand, sulfur smell, black droplets in the water, and outages. Basic facilities issues concern the size of service mains and other lines, possibly insufficient storage, and the eventual need to loop the system to improve reliability and to allow flushing.

12. It is the owner's responsibility to develop an appropriate plan to provide adequate service. It is the PSC's responsibility to ensure service is adequate, not to approve a specific plan. Based on statements at the hearing, customers understand that, upon approval by the PSC, customers will be expected to pay a fair rate for expenses and investments determined by the PSC to be prudently incurred and used and useful in providing reasonably adequate service. The owner's plan should take into account balancing customer interests in good service and affordable rates. Most CHWC customers probably expect a solid "Ford" water system, not a "Lincoln."

13. Recognizing that key issues still must be resolved through the probate system, CHWC, preferably with assistance of its consultant, should file with the PSC periodic reports on plans to address the concerns outlined above. The reports need not be overly formal, as the

emphasis should be on solving problems, not writing reports. The first such report should be filed with the PSC no later than February 1, 1999, with further reports to be filed according to a schedule developed by the utility and PSC staff.

14. Finally, for the serious problems to be solved, the utility and its customers must work together cooperatively and in good faith. That is exactly the attitude demonstrated by participants in the PSC's hearing. That attitude will provide a good basis for the work which is now required.

Done and dated this 22nd day of December, 1998, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

---

DAVE FISHER, Chair

---

NANCY MCCAFFREE, Vice Chair

---

BOB ANDERSON, Commissioner

---

DANNY OBERG, Commissioner

---

BOB ROWE, Commissioner and Presiding Officer

ATTEST:

Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.